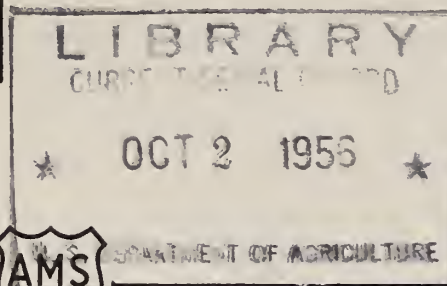


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DEMAND and PRICE SITUATION

DPS - 8



Approved by the Outlook and Situation Board, August 18, 1955

SUMMARY

Demand for farm products continues at a high level with rising consumer incomes. However, because of large supplies of many commodities, grower prices so far this year have averaged 4 percent below the first 7 months of 1954. With prospects for an increase in farm output this year, some further easing in prices may occur as harvests progress. Larger production will partially offset the effect of lower prices on farm income.

Production prospects currently point to a record output of farm products this year--possibly 4 to 5 percent above 1954 if weather conditions continue favorable. Production of livestock products will rise to new record levels this year with most of the gain in production of hogs. Output of dairy products is expected to continue at record levels while production of poultry products may total about the same this year as in 1954. Record supplies and lower prices for feed probably will encourage further increases in total production of livestock products.

(Continued on page 3)

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954		1955				
		Year	July	Apr.	May	June	July	
Industrial production ^{1/}								
Total.....	1947-49=100	125	123	136	138	139	140	
All manufactures.....	do.	127	124	138	140	141	143	
Durable goods.....	do.	137	134	151	153	155	157	
Nondurable goods.....	do.	116	114	125	127	128	128	
Minerals.....	do.	111	112	120	121	123	122	
Total outlay for new construc- tion ^{2/}	Million dollars	37,170	3,133	3,493	3,531	3,501	3,501	
Residential.....	do.	13,450	1,150	1,366	1,366	1,358	1,381	
Total civilian employment ^{3/}	Million	61.2	62.1	61.7	62.7	64.0	65.0	
Nonagricultural.....	do.	54.7	54.7	55.5	55.7	56.3	57.3	
Unemployment.....	do.	3.2	3.3	3.0	2.5	2.7	2.5	
Income:								
Nonagricultural payments ^{2/4/} #...	Bil. dol.	271.9	272.1	283.7	286.6	286.8		
Production-worker payrolls ^{5/} #...	1947-49=100	137.7	131.9	146.7	150.1	152.1	150.9	
Weekly earnings of production- workers in manufacturing ^{5/}	Dollars	71.65	70.92	74.77	76.30	76.11	75.76	
Durable.....	do.	77.01	75.83	80.97	82.78	82.19	81.40	
Nondurable.....	do.	64.58	64.74	65.91	67.32	67.83	67.89	
Prices:								
Wholesale prices, all com- modities ^{5/}	1947-49=100	110	110	110	110	110	111	
Commodities other than farm and food.....	do.	114	114	116	116	116	116	
Farm.....	do.	96	96	94	91	92	90	
Food, processed.....	do.	105	106	102	102	104	103	
Prices received by farmers ^{6/} #...	1910-14=100	249	245	247	244	243	237	
Crops.....	do.	243	247	252	255	244	238	
Livestock and products.....	do.	255	244	242	234	242	237	
Prices paid, interest, taxes and wage rates ^{6/}	1910-14=100	281	280	284	282	282	281	
Items used in living.....	do.	274	277	274	274	274	274	
Items used in production.....	do.	252	247	254	251	250	248	
Parity ratio.....		89	88	87	87	86	84	
Consumer price index ^{5/}	1947-49=100	115	115	114	114	114		
Food.....	do.	113	115	111	111	111		
Government purchases of goods and services ^{2/ 7/} #.....	Billion dollars	77.0						
Federal (less Government sales)..<	do.	49.2						
State and local.....	do.	27.8						

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

^{1/} Federal Reserve Board.

^{2/} U. S. Department of Commerce.

^{3/} Bureau of the Census.

^{4/} Monthly totals seasonally adjusted at annual rates.

^{5/} U. S. Department of Labor, Bureau of Labor Statistics.

^{6/} U. S. Department of Agriculture, Agricultural Marketing Service..

^{7/} Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Despite reduced production of cotton, wheat, rice and sugar crops, a record crop output is estimated for this year. Biggest gains were indicated for the major feed grains; output may total around 15 percent above 1954, reflecting near-record crops of corn and barley, and record crops of oats and sorghum grains. The 1955 soybean crop may be a fifth above the record crop of last year. And a 12-percent increase in production of potatoes was indicated for this year.

Cash receipts from farm marketings are running about 4 percent below January-July last year. Costs in general continue stable; the index of prices paid by farmers for commodities, interest, taxes and wages in mid-July was slightly above a year earlier. With lower prices for farm products, the ratio of prices received to prices paid (parity ratio) declined to 84 in July compared with 88 a year earlier.

Economic activity expanded further in July from a record level in the second quarter. Industrial output and employment rose to new highs. Retail sales increased 2 percent from June to a new high in July, 9 percent above July 1954. Although consumer incomes are rising, increased use of credit continues to support consumer buying of automobiles and other durable goods.

Business activity is expected to trend upward in coming months, but the rate of expansion may be slower than during the past 6 to 9 months. Automobiles and residential building, which provided much of the recent expansion, have eased a little. However, consumer incomes are about 5 to 6 percent above a year ago and are expected to rise further.

Corporate earnings in the second quarter were a fourth above a year earlier. In response to expanded economic activity, businessmen have scheduled outlays for new plant and equipment at a record rate in the third quarter, 3 percent above April-June this year and about 7 1/2 percent above the third quarter of 1954. Manufacturers' new orders have risen in recent months with the pickup in business activity and are currently about a fourth above a year ago.

Commodity Highlights

Strong demand will likely support prices of feeder cattle this fall and profits in feeding this coming season may be reasonably satisfactory. Hog prices this fall will be considerably below last fall; this may lead to only a moderate increase in the 1956 spring pig crop.

Compared with last year, prices for dairy products are more favorable relative to prices for feed concentrates and beef cattle and hogs. This may induce farmers to milk more cows.

Broiler prices changed little from mid-July to early August. Prices to early August have averaged above a year earlier and have induced large chick placements for marketing into November. While early fall marketing of turkeys will be below 1954, slaughter of heavy breed birds in late fall is likely to be close to the 1954 level.

Supplies of food fats in the marketing year beginning October 1 are expected to at least equal 1954-55; production is large but carry-over stocks are smaller. The soybean crop as of August 1 is estimated at 420 million bushels, a fifth above last year.

Growing conditions through early August assure record supplies of feed grains for the 1955-56 season, possibly 15 percent above a year earlier. Feed grain prices this fall will continue lower than a year earlier.

Total wheat supplies for the marketing year that began July 1 are now estimated at a record 1,935 million bushels. Disappearance may about equal the 1955 crop.

Supplies of most deciduous fruits during late summer and early fall will be somewhat larger than a year earlier. The 1955 deciduous fruit crop will total about 4 percent larger than last year's crop.

Supplies of fresh vegetables this summer are expected to be 3 percent larger than a year earlier, according to August 1 indications. The average price received by farmers for summer vegetables marketed for fresh use probably will be below a year earlier. The potato crop this year will total 399 million bushels, 12 percent larger than last year's, if growing conditions are average.

The 1955 cotton crop was estimated on August 1 at 12.7 million bales compared with 13.7 million a year earlier. Disappearance in 1955-56 may approach 13 million bales.

The national average return per pound for shorn wool (average price received plus average payment) will be substantially larger this season than last.

As of August 1, the flue-cured crop was estimated at 12 percent above last year's crop. Early season indications for most grades of this year's flue-cured tobacco crop in the southernmost belts point to lower average prices this year than last.

GENERAL BUSINESS CONDITIONS

Economic activity during July rose slightly from the high June levels. The automotive industry recovered from a small downturn in June but steel output did not approach the high June levels again until mid-August. The Federal Reserve Board's index of industrial production rose one point to 140 in July (1947-49=100). Business inventories which began to increase slowly early this year, rose substantially in the second quarter with seasonally adjusted inventories increasing in value by 700 million dollars in May and 400 million in June. The June increase approximates an annual rate of about 5 billion dollars. Consumer spending for goods leveled out at peak seasonally adjusted rates in May and June but sales increased in July, reflecting gains in automobiles and other durables. With personal disposable income still advancing, consumer buying is expected to continue high in coming months. Business investment in new plant and equipment will be at a record annual rate, 3 percent above the second quarter. Although residential building may ease a little further in coming months, total outlays for construction activity were at a record rate in July and are expected to continue so through the second half of this year.

Consumer Income and Spending Rise Further

Consumer income after taxes is currently running at an annual rate in excess of the record 267 billion in the second quarter, and around 5 to 6 percent above a year earlier. Expanding employment, a longer work week, and wage increases have resulted in a rise in personal income payments to a record annual rate of 301 billion dollars in May which remained at that level in June, a gain of more than 10 billion dollars in the first 6 months of 1955 and 14.5 billion above June 1954. The great bulk of this increase has been in wage and salary payments.

Sales Rise in July From
Record May-June Levels

Consumer spending turned up again in July. During the second quarter, retail sales remained virtually unchanged despite sharply advancing consumer incomes. Preliminary sales for July are up 2 percent from June, after seasonal adjustment, and are 9 percent above July last year. Sales of durable goods increased most, reflecting sizable gains for building materials and automobiles. Sales of new cars in July totaled about 625,000 units--down much less than seasonally from June. Department store sales also advanced in July. After declining in May, and again in June, from a peak in April, department store sales rose 6 percent in July. Sales of household appliances led the advance.

Table 1.- Retail sales for specified groups, second quarter 1955
with comparisons, adjusted for seasonal variation

Group	:	:	Second quarter 1955	
	:	1955	percentage change from	
	:	April-	1955	1954
	:	June	January-	April-
	:		March	June
	:	Million		
	:	dollars	Percent	Percent
Sales	:			
Total	:	15,321	2.9	7.6
Durable goods stores	:	5,533	5.0	13.4
Furniture and	:			
appliances	:	829	1.5	8.8
Lumber, building and	:			
hardware ^{1/}	:	928	8.0	16.0
Automotive	:	3,160	5.3	16.5
Nondurable goods stores	:	9,788	1.7	4.5
Apparel	:	891	1.8	3.5
Food	:	3,599	.5	5.5

^{1/} Excludes farm equipment.

A recent survey of consumer spending intentions provides evidence that consumer demand may remain strong for the rest of this year and into 1956. The private sample survey, conducted in June, indicates that about as many consumers intend to purchase automobiles and major household appliances in the coming fiscal year as in June a year ago. Intentions to purchase homes are slightly above a year earlier. Some decline was reflected in the number of respondents who plan to purchase television sets.

Installment Credit
Up Sharply In June

The volume of consumer credit outstanding continues to climb. In June, the total rose 903 million dollars to 32 billion. As in past months, more than 60 percent of the increase over the month represented net extensions of credit for purchases of automobiles. The volume of consumer credit outstanding has been rising relative to income and at mid-year totaled about 12 percent of disposable income compared with 11 percent a year earlier. However, ratios of debt to income are not greatly out of line with prewar ratios and the monthly cost of carrying the debt probably is smaller.

A recent survey of consumer finances, reported by the Federal Reserve Board, indicated that in early 1955, installment debt was owed by slightly more than half the families surveyed. Most of the debt was owed by the middle income groups. Relatively fewer families in the lowest and highest income groups reported some installment debt. Many families reporting installment debt also held liquid assets equal to or larger than their indebtedness. About a fourth of the household spending units reported no liquid assets and two-thirds of these reported some installment debt. More than three-fourths of the families held liquid assets and about two-thirds of these held \$500 or more. Of the families with liquid assets, 50 percent reported installment debt; half with debt less than \$500 and half with debt of more than \$500.

Table 2.- Installment credit extended and repaid, seasonally adjusted, first and second quarters, 1954 and 1955

Item	1954		1955	
	Jan.-Mar.	Apr.-June	Jan.-Mar.	Apr.-June
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Total installment credit extended.....	6,955	7,168	8,756	9,273
Total installment credit repaid.....	7,201	7,163	7,579	7,798
Excess of extended over repaid.....	-246	5	1,177	1,475
Automobile paper extended	2,821	3,059	4,087	4,501
Automobile paper repaid..	3,079	3,091	3,187	3,397
Excess of extended over repaid.....	-258	-32	900	1,104

During the past year, credit buying has provided a substantial impetus to consumer purchases, particularly for automobiles and other durable goods. Extensions of installment credit exceeded repayments by nearly 1.5 billion dollars in the second quarter. This approximates an annual rate of around 6 billion dollars. During the first quarter of last year repayments on installment credit exceeded extensions by 246 million dollars and extensions of credit declined. Repayments and new extensions were approximately equal in the second quarter. However, slowly rising consumer incomes last year were sufficient to maintain consumer spending. At present, consumer income payments are rising at a much faster rate than in early 1954.

Investment Demand

Construction Activity Maintained

Construction activity continues at a record rate. Outlays for new construction during July were at an annual rate of 42 billion dollars, the same as in June. For the first 7 months of 1955, construction outlays were about 14 percent above the corresponding period a year ago. Further increase in outlays for residential and other private construction were offset by a decline in public construction activity. Residential construction expenditures are still rising a little, although new housing starts have tapered off some from levels earlier this year. Residential building outlays in July were 2 percent above June and for this year to date they are 29 percent above a year ago. Spending for religious, educational and other institutional facilities which complement new housing developments continued to rise. Expenditures for this type of construction during January-July were 11 percent above a year ago. Construction contract awards were down about 5 percent in June, but were a fourth above a year earlier.

New housing starts declined to an annual rate of 1.2 million units in July, compared with 1.3 million units in each of the three preceding months and 1.4 million in the first quarter. The demand for new homes may ease further in coming months. Actions have been taken recently to further tighten the money market and mortgage lending terms. The VA recently announced requirements for a two percent down payment on their loans compared with the previous no-down-payment terms. FHA down payment requirements were also raised by 2 percentage points. The amortization period for repayment of both VA and FHA loans was also shortened from 30 to 25 years. A large part of the increase in home construction over the past year was based on Government assisted loans.

Rapid Inventory Buildup
in May and June

Inventories are now accumulating at an annual rate of around 5 billion dollars in contrast with an average build up of 1.5 billion dollars in the first quarter. Most of the increases in business stocks earlier this year reflected rising inventories of new cars in the hands of dealers. Manufacturing and trade inventories rose by about 700 million dollars in May with a sizable gain at the manufacturing and retail level. The pickup continued in June with a rise in total stocks of about 400 million dollars--250 million in manufacturers' stocks and 150 million at retail. The number of new automobiles held by dealers was virtually unchanged in June. The increase in manufacturers' stocks was in purchased materials and goods in process.

Table 3.- Durable goods: Sales, production and inventories
for selected periods, seasonally adjusted data

Item	Unit	1953 June	1954			1955	
			Jan.	June	Oct.	Jan.	June
Retail:							
Sales	Mil. dol.	5,103	4,436	5,024	4,689	5,143	5,570
Inventories	Mil. dol.	10,472	10,688	10,380	9,970	10,160	10,780
Stock-sales ratio:	Ratio	2.05	2.41	2.07	2.13	1.98	1.94
Manufacturers:							
Deliveries	Mil. dol.	12,850	11,381	11,293	10,295	11,850	13,525
Inventories	Mil. dol.	26,147	26,098	24,617	23,916	23,984	24,471
Stock-sales ratio:	Ratio	2.03	2.29	2.18	2.32	2.02	1.81
Production	1947-49=100:	154	141	135	139	145	153
Order backlogs	Mil. dol.	70,095	53,776	46,678	44,908	44,350	46,014
Total business:							
Sales	Mil. dol.	21,429	18,875	19,200	17,800	20,100	22,400
Inventories	Mil. dol.	42,527	43,080	40,800	39,800	39,900	41,200
Stock-sales ratio:	Ratio	1.98	2.28	2.12	2.24	1.99	1.84

The current inventory accumulation does not appear excessive relative to the level of economic activity. Retail sales of durable goods in June were nearly a fifth above October last year when the recent expansion in economic activity got under way. Retail stocks also increased--by 8 percent--but the ratio of stocks to monthly sales declined to 1.94 from 2.13 last October. During the same period manufacturers' deliveries rose nearly a third but manufacturers' inventories

in June were only slightly above last October. Consequently, the ratio of inventories to deliveries fell from 2.32 in October 1954 to 1.81 in June. Manufacturers' new orders rose by more than a fifth and manufacturers responded with an increase of 10 percent in output of durable goods from last October to June this year.

Retail sales of nondurable goods in June totaled 4 percent above October last year. Inventories increased by about 3 percent and the ratio of stocks to sales at 1.27 was near the level of recent years. Expanded retail sales increased manufacturers' deliveries by about 12 percent from October 1954 to June this year. Since inventories increased only slightly the stock-sales ratio at the manufacturing level declined to 1.42 from 1.58 last October. Currently the ratio of inventories to deliveries is relatively low. Output of nondurables rose by more than 9 percent from October 1954 to June this year as producers responded to expanded demand.

Table 4.- Nondurable goods: Sales, production and inventories for selected periods, seasonally adjusted data

Item	Unit	1953 June	1954			1955	
			Jan.	June	Oct.	Jan.	June
Retail:							
Sales	Mil. dol.	9,309	9,186	9,415	9,382	9,722	9,775
Inventories	Mil. dol.	11,822	11,833	12,220	12,020	12,050	12,380
Stock-sales ratio:	Ratio	1.27	1.29	1.30	1.28	1.24	1.27
Manufacturers:							
Deliveries	Mil. dol.	12,482	12,105	12,056	12,194	12,437	13,627
Inventories	Mil. dol.	19,591	19,489	19,568	19,252	19,212	19,319
Stock-sales ratio:	Ratio	1.57	1.61	1.62	1.58	1.54	1.42
Production	1947-49=100	121	113	116	117	121	128
Order backlogs	Mil. dol.	3,493	2,352	2,870	2,542	2,824	3,178
Total business:							
Sales	Mil. dol.	28,574	27,575	27,700	27,800	28,500	29,900
Inventories	Mil. dol.	37,640	37,608	37,900	37,200	37,200	37,600
Stock-sales ratio:	Ratio	1.32	1.36	1.37	1.34	1.31	1.26

Inventories of both durable and nondurable goods in general appear low relative to the current record volume of economic activity. With prospects for some further gain in economic activity and higher prices for some products, inventories are expected to continue to rise in coming months.

Plant and equipment expenditures planned by businessmen during this quarter are at a record annual rate of 28.8 billion dollars, a billion dollars above the second quarter. Investment in new plant and equipment in the nondurable goods manufacturing industries is down about 2 percent from the second quarter rate but all other major industry groups show increases. Public utilities programmed the largest relative increase, up 9 percent over the second quarter, and an increase of 4 percent is scheduled for the commercial group which includes trade, service, finance, communications and construction.

Output and Employment Set New Records

After slowing somewhat toward the close of the second quarter, with downturns in automobiles and steel, industrial output resumed its upward trend in July. The Federal Reserve Board's index of industrial production rose to 140 (1947-49=100) in July, a record, and 1 point above June. In July a year ago, the index stood at 123, the low point of the 1954 recession.

Production of automobiles declined about 10 percent in June, much less than had generally been anticipated. Output turned up again sharply in July. Preliminary estimates put July auto production at 660,000 units, about 2 percent above June. Steel output fell sharply with the brief work stoppage at the end of June. Output at the beginning of July was only 71 percent of capacity but by the end of the second week of August, steel mills were operating at 91 percent. Average output for the first 7 months of this year was at 91 percent of capacity.

Total manufacturing output rose about 1 percent during July after seasonal adjustment. The increase was in durables; non-durables production held steady. Consumer durables advanced sharply--up 5 percent over the month, reflecting the very heavy rise in auto output. However, production of other consumer durables, particularly household goods, was also up substantially. The index of freight car loadings, after dipping slightly in June, rose one point in July.

Manufacturers' new orders, after increasing sharply in May, rose again in June but at a slower rate. An increase in orders for nondurable goods was partially offset by a decline in orders for durables. Total new orders in June were more than a fourth above June a year ago. Plant and equipment investment programs, involving a billion dollar increase over the second quarter, have been reflected in rising machine tool orders. A private survey places orders for nonelectrical machine tools in July about 6 percent above June, after seasonal adjustment. A rise of 4.5 percent was reported for June.

Table 5.-Indexes of industrial production, specified groups, January and July for 1953-55, adjusted for seasonal variation

(1947-49=100)						
Group	1953		1954		1955	
	Jan.	July	Jan.	July	Jan.	July
Industrial production	134	137	125	123	132	140
Durable goods	154	157	141	134	145	157
Primary metals	135	136	111	103	127	139
Nondurable goods	117	121	113	114	121	128
Major consumer durable goods	138	152	119	126	145	174
Autos	137	164	133	127	160	195
Major household goods	140	143	108	127	133	158

Manufacturers' shipments in June totaled 27.2 billion dollars, 0.6 billion dollars above May and 3.9 billion dollars above a year ago. Most major manufacturing groups increased sales more than seasonally. Unlike the previous month, the greatest advance was among the nondurable goods industries. Since new orders exceeded sales, the backlog of unfilled orders increased and by the end of June was almost back to its year-ago level.

Employment Close to 65 Million

Total employment during July rose by nearly one million to just under 65 million. Nonfarm employment increased more than seasonally while farm employment showed the usual seasonal decline. The civilian labor force rose by less than the number of jobs so that unemployment declined by 0.2 million to 2.5 million in July. During June there had been a slight increase in unemployment as large numbers of students entered the labor force but most of these are now absorbed into summer employment.

The increase in nonagricultural employment was concentrated in the trade and service industries. Manufacturing employment remained virtually unchanged over the month; a slight rise in durable goods employment was offset by a decline in nondurable goods manufacturing. The length of the work week in manufacturing declined from 40.7 to 40.3 hours, primarily a seasonal decline.

Total farm employment declined from the end of June to the end of July by the usual seasonal amount. But employment of hired labor went down more than seasonally. Farm wage rates on the average were unchanged from June to July after seasonal adjustment.

Commodity Prices

Wholesale commodity prices were virtually unchanged from early July to early August. This stability in average wholesale prices results from offsetting movements in farm and nonfarm product prices. Declining prices for agricultural commodities and rising prices for nonfarm products, particularly for metals and minerals, have contributed to a fairly stable average of wholesale prices. The relative movements of the various components of the sensitive index of 22 basic commodities over the past year

Table 6.- Indexes of wholesale prices, selected groups,
August 2, with comparisons

(1947-49=100)					
Group	:	:	:	: August 2, 1955 per-	
	: August 2,	: July 5,	: August	: centage change from	
	: 1955	: 1955	: 1954	: July 5,	: August
	:	:	:	: 1955	: 1954
All commodities	: 109.8	110.0	110.5	-0.2	-0.6
Farm	: 87.0	89.8	95.8	-3.1	-9.2
Food, processed	: 100.9	102.9	106.4	-1.9	-5.2
Other than farm and food	: 116.4	115.8	114.4	.5	1.7

point up the divergence in the price movements of the various groups. The overall index moved down only 0.4 of a point from August 4, 1954 to August 4 of this year. But the metals group rose from 95.8 to 115.7 (1947-49=100) over the year and raw industrials went from 85.8 to 97.8. On the other hand, the foodstuffs index declined from 98.4 to 80.4, livestock and products from 68.4 to 60.8, fats and oils from 67.5 to 63.8, and textiles and fibers from 87.4 to 81.9.

The consumer price index rose 0.2 percent during June to 114.4 (1947-49=100), the largest monthly increase so far this year. The increase was due primarily to a seasonal rise in food prices. Small declines in fruits and vegetables and in the "other foods" group failed to offset a rise in the meats, poultry and fish group. The housing, transportation, personal care and medical care indexes also increased slightly. The consumer price index has fluctuated within a range of 1.0 point since November 1953.

Prices Received and
Paid by Farmers

The index of prices received by farmers declined 6 points to 237 from mid-June to mid-July and was 3 percent below July a year ago; big supplies were largely responsible for the decline. Most of the recent decline was due to lower prices for hogs, beef cattle, wheat, apples, and potatoes. Hogs contributed more than any other commodity to the decline in the overall index of prices received. Hog production has increased considerably over the past year and the proportion of sows in total marketings rose further from June to July. Lower prices for beef cattle, apples, and wheat were largely seasonal.

Table 7.- Indexes of prices received and prices paid by farmers,
July 15, 1955 with comparisons

(1910-14=100)					
Group	:	:	:	July 15, 1955	
	: July	: June	: July	percentage	
	: 15,	: 15,	: 15,	change from	
	: 1955	: 1955	: 1954	: June 15,	: July 15,
	:	:	:	: 1955	: 1954
All farm products:	: 237	243	245	-2	-3
Crops:	: 238	244	247	-2	-4
Food grains	: 222	232	225	-4	-1
Feed grains and hay	: 190	196	202	-3	-6
Cotton	: 271	266	272	2	1/
Tobacco	: 435	435	446	0	-2
Oil-bearing	: 257	256	286	2/	-10
Fruit	: 235	239	228	-2	3
Commercial vegetables for fresh market	: 223	230	228	-3	-2
Potatoes, sweetpotatoes and dry edible beans	: 170	213	232	-20	-27
Livestock and products:	: 237	242	244	-2	-3
Meat animals	: 261	276	278	-5	-6
Dairy products	: 242	235	238	3	2
Poultry and eggs	: 178	176	172	1	3
Wool	: 247	251	307	-2	-20
Prices paid, interest, taxes and wage rates:	: 281	282	280	1/	2/
Commodities used in living	: 274	274	277	2/	-1
Commodities used in production	: 248	250	247	-1	2/
Parity ratio	: 34	86	88	-2	-5

1/ Less than 0.5 percent decrease.

2/ Less than 0.5 percent increase.

Prices paid by farmers for commodities, interest, taxes and wage rates (the parity index) declined one point to 281 in mid-July. This is still one point above July of last year. Lower prices for feeder cattle and pigs, feed grain and hay, and new automobiles mainly accounted for the declines. Prices paid for family living items remained unchanged. With a substantially greater decline over the month in prices received than in the parity index, the parity ratio declined 2 points from 86 to 84 in July. This is 4 points below July a year ago.

Prices on selected central markets for food and feed grains generally declined from mid-July to mid-August. The sharpest price decreases were for corn, no. 3 Yellow at Chicago which dropped nearly 13 percent, barley, no. 3 at Minneapolis, which declined 10 percent and oats, no. 2, White, at Minneapolis, down $7\frac{1}{2}$ percent. Wheat, rye, and grains sorghums also declined. Grain price movements generally reflected crop report estimates of record feed grain output this year. Among livestock products at Chicago, hogs declined 11 percent from mid-July to mid-August, slaughter steers 3 percent and slaughter cows (utility) 6 percent. Mid-western eggs rose by more than 30 percent; broilers at Del-Mar-Va were unchanged over the month.

FOREIGN DEMAND

Foreign gold and dollar assets increased further in 1954-55, and economic activity in Europe was of boom proportions. These favorable developments made for more liberal import treatment for dollar commodities. Exports of United States farm commodities spurted upward during the first nine months of the fiscal year to a level almost 13 percent above the previous year. As the year drew to a close the level of foreign purchasing was reduced; relaxation of international tensions, indications of record crops abroad compared with the poor quality 1954 harvests, and uncertainties as to export sales prices for certain U. S. surplus commodities made for cautious buying. Despite rising exports in June, total shipments during the last quarter, nearly cut in half the previous gain. The decline during April and May especially limited the increase in exports of cotton and tobacco.

Agricultural exports for the year as a whole totaled 3.1 billion dollars, or 7 percent over 1953-54. The net 200 million dollar increase in exports was more than accounted for by surplus disposal activity under the Agricultural Trade Development and Assistance Act (P.L. 480). Exports under barter operations alone, mainly wheat, increased an estimated 90 million dollars. Reported shipments under a program of sales for foreign currencies totaled 62 million dollars with grains accounting for 48 million and cotton 9.7 million; actual exports probably exceeded reported shipments. Donations by the Department of Agriculture, mainly dairy products, increased an estimated 60 million dollars; about 9 million of this increase

reflects donations to an international agency (the UN Childrens' Emergency Fund) which in previous years was not eligible for donations but made purchases at concessional prices. Shipments for famine relief also exceeded by an estimated 45 million dollars similar operations during the previous year.

The largest increases in exports outside of these special programs occurred in animal and vegetable fats and oils. Much of this gain was due to sales of cottonseed oil by CCC at competitive prices and to increased value of lard, tallow and soybean exports. Exports of fruit, like fats and oils, were aided by trade liberalization and favorable economic conditions abroad.

Table 8.- United States agricultural exports, 1953-54 and 1954-55

Commodity	: 1953-54	: 1954-55	: Percentage change
	: Million dollars	: Million dollars	: Percent
Total July 1-March 30	: 2,155	: 2,426	: 12.6
Total April 1-June 30	: 781	: 717	: -8.2
Total July 1-June 30	: <u>2,936</u>	: <u>3,143</u>	: 7.0
Grain and feed	: 884	: 883	: -0.1
Cotton	: 674	: 684	: 1.5
Livestock and products	: 405	: 459	: 13.3
Tobacco	: 300	: 305	: 1.7
Vegetable fats and oils	: 238	: 300	: 26.1
Fruits and vegetables	: 256	: 274	: 7.0
Food for relief or charity <u>1/</u>	: 78	: 143	: 83.3
Other	: 101	: 95	: -5.9

1/ By individuals or private agencies. The bulk of this amount represents the market value of dairy products donated by USDA under Section 416 of the Agricultural Act of 1949, as amended.

A renewed pick up in exports appears likely for the next half year. Negotiated sales for foreign currencies under both the Mutual Security Act of 1954 (Section 402) and the Agricultural Trade Development and Assistance Act (P.L.480) are far in excess of reported shipments to date. By June 30, 1955 purchase authorizations were issued by FOA under Section 402 for 450 million dollars of which an estimated 200-300 million remained to be shipped after the close of the fiscal year.

Negotiated agreements under Title I of PL 480 during 1954-55 had a market value of 330 million dollars of which about two-thirds remained to be shipped after June 30. In accordance with the terms of the purchase authorizations, shipments under both programs should be substantially completed by the end of 1955. Commitments under both the barter and donation provisions of Title III of PL 480 were also in excess of shipments through the end of the fiscal year; barter contracts entered into during fiscal year 1954-55 provided for the disposition of agricultural commodities valued at 281 million dollars of which about 120 million was shipped during the year.

In addition to agreements already negotiated, further sales for foreign currencies have been provided for under new legislation. During 1955-56 the International Cooperation Administration (successor to FOA) has been authorized by Congress to negotiate sales of surplus commodities valued at 300 million dollars. Authority for sales under Title I of P. L. 480 has been raised from the original 700 million dollars to 1.5 billion dollars for the 3 years ending June 30, 1957. In addition approximately 200 million dollars remained available under the famine relief provisions (Title II) of P. L. 480 for expenditure during the next 2 years. The recent approval of a 60 million dollar loan to Japan by the Export Import Bank (the fifth of this kind) will assist continued dollar sales of cotton to that country.

FARM INCOME

Farmers received 14.3 billion dollars from marketings in the first 7 months of 1955, down 4 percent from last year because of smaller receipts for livestock and products. Receipts from livestock and products totaled 9.0 billion dollars, 6 percent less than a year ago; prices averaged 9 percent below 1954. Meat animals were down sharply, mostly because of lower hog prices. Crop receipts of 5.3 billion dollars were slightly above last year, with increases in receipts from vegetables, oil-bearing crops, and feed crops.

Receipts from farm marketings in July totaled about 2.1 billion dollars, 10 percent above June, with larger marketings more than offsetting lower average prices. They were a little below a year ago, however, because of lower prices. Receipts from livestock and products were 1.2 billion dollars, 6 percent below June due to smaller receipts from hogs, milk, and eggs. The decline in egg receipts was entirely seasonal. Total livestock receipts were below July 1954 because cattle and hogs were down. Crop receipts in July totaled about 0.9 billion dollars. Seasonally larger sales of wheat, cotton, and tobacco accounted for an increase of nearly 40 percent over June, while declines in sales of wheat and lower potato prices held cash receipts from crops in July below a year ago.

LIVESTOCK AND MEAT

Bumper crops of feed being harvested, the good conditions of most ranges and the large numbers of meat animals on farms make a high volume

of livestock production in the next year almost certain. Another new record number of cattle will likely be fed, and increased hog production this fall has been indicated by farmers' farrowing plans.

Strong demand will likely support prices of feeder cattle this fall. No more than moderate seasonal declines are likely and prices will average close to last fall. Margins between prices of feeders and fed cattle are expected to be relatively narrow. As prices of feed will be lower, profits in feeding this coming season may be close to average.

Prices of hogs dropped sharply from their June high. Prices throughout the fall will be considerably below last fall. They may reach their seasonal low late in the year. Prices of lambs declined in late June and July, and in early August were about the same as a year before. Some further seasonal drop may occur.

The spring pig crop of 1956 is expected to be larger than that of this spring. However, due to lower prices of hogs this fall, the increase will probably be moderate.

Because large output will exert pressure on prices of meat animals in the next year, profit margins in livestock production generally will continue rather narrow.

Production of all meat in 1955 is expected to be about 26.7 billion pounds, 5 percent more than last year's record. Consumption per person is forecast at 160 pounds, up 7 pounds from last year and the second highest since records began. All the increase from last year is in pork.

DAIRY PRODUCTS

Production of milk in the United States declined more than usual from June to July, reflecting above normal temperatures in the eastern two-thirds of the country during much of July. On August 1, the rate of milk production per cow was above a year earlier for the eleventh consecutive month, equaling the previous record set in 1951. With a recovery of pastures in many sections and abundant supplies of concentrate feeds, the rate per cow may decline less than seasonally in coming months. Total output of milk in several months this fall and winter probably will be larger than a year earlier. Total production for 1955 will about equal the 123.5 billion pounds of 1954.

Consumption of fluid milk declined seasonally in recent weeks but continued to show an increase over a year earlier. Consumption of butter, cheese and ice cream also continue to show increases, but for most other items consumption is smaller.

Purchases of butter and cheese under the price-support program so far this marketing year total less than a year earlier. Smaller butter production, larger consumption of milk and dairy products and a greater increase in private storage stocks than a year ago contributed to the reduction in purchases. Since April 1, butter production has been somewhat less than a year ago while that of nonfat dry milk solids has been about the same. Purchases of nonfat dry milk, including some for future delivery, have been greater this year than last.

Prices received by farmers for both milk and butterfat have been running a trifle above a year earlier, as a result of slightly higher government purchase prices for cheese and nonfat dry milk during the early part of the year as compared with a year ago and a less burdensome surplus of milk at support levels. Prices for dairy products are more favorable compared with prices for feed concentrates and beef cattle and hogs than a year ago. Dairy prices may compare more favorably this coming fall and winter, possibly inducing many farmers to milk more cows.

The number of milk cows on farms in June 1955 was smaller than a year earlier by 358,000 head or 1.5 percent. The widespread drought of last year and less favorable price relationships helped bring declines in most States, and in all major regions except the North Atlantic group. In most States specializing in dairying, there was some increase, or the decline was small.

POULTRY AND EGGS

The seasonal rise in egg prices in the eastern two-thirds of the country since early July has been greatest for large eggs of the better grades. On the Pacific Coast the egg price rise has been very limited. However, because fewer pullets raised this year will limit the number of small eggs to be marketed this fall, the spread between prices of large and small eggs will be narrower than in 1954.

The large July production reduced the need for storage held eggs. The net withdrawal of stored stocks of shell eggs during July was only 21 percent of last year, while stocks of frozen eggs held steady instead of declining as they had in each July since 1947. On August 1, United States stocks of shell and frozen eggs were respectively 57 and 8 percent above last year.

Broiler prices to early August continued steady, little changed from the 26.6 cents per pound United States average farm price of mid-July. Prices through July this year averaged 4 cents per pound above last year's annual average price. This factor, together with lower feed prices, has induced large chick placements. In the 10 weeks ending August 13, placements were 15 percent above 1954. Marketings in the 10 weeks ending about November 1 will be correspondingly increased over last year.

Early fall marketings of turkeys will be below 1954, in line with the reduction in hatchings through April. On May 1, cumulative 1955 hatchings of heavy breed poults were 13 percent below 1954, and light breeds 32 percent lower. But slaughter of heavy breed birds in November and December may be about up to the 1954 level, because May, June and July hatchings were 12 percent above those months of 1954. However, part of the late-season increase in the hatch is in birds which will likely be slaughtered at light weights competitive with Beltsvilles, so November and December slaughter of heavy turkeys is not likely to fully reflect the rise in hatchings. Hatchings of Beltsvilles and other light breed turkeys have continued sharply under 1954, with the cumulative output through July 25 percent under 1954.

Present turkey storage holdings are 5 percent below last year. Current slaughter will continue light for the next month or two in contrast with the heavy slaughter last fall when turkey marketings approached their seasonal peak. As a consequence, the early-season price outlook is more favorable to producers than last year. The mid-July price received by farmers was 28.5 cents per pound, about the same as last year. After July last year, however, prices received by farmers dropped, reaching 27.1 cents in mid-October.

OILSEEDS, FATS AND OILS

Supplies of food fats in the marketing year beginning October 1, 1955 are expected to at least equal the 1954-55 peak. A record output will offset a reduction in stocks. Beginning commercial stocks are not likely to change much as the entire reduction will be in CCC holdings. Output of soybean oil in 1955-56 will be a new record and production of lard will be up sharply from the year before. These increases will more than offset a moderate drop in cottonseed oil production. There is a strong export demand for lard and both lard and soybean oil are available for export under P.L. 480.

The 1955 soybean crop, as of August 1, is estimated at 420 million bushels. This is 77 million more than last year and the largest of record, reflecting record plantings and yields.

Production of cottonseed, based on the usual relationship between cotton lint and seed, is placed at 5,253 thousand tons, 8 percent below last year. Plantings are down 14 percent from a year ago, mainly because of a cut in the acreage allotments, but yields are the highest of record.

Favorable growing conditions and increased acreage are being reflected in a larger peanut crop this year. Production is estimated at 1,551 million pounds, 52 percent more than last year's drought-ridden crop. Output at this level will assure plentiful supplies for all purposes. Farm prices probably will be near support and less than a year

earlier. The national average support price for the 1955 crop is 12.2 cents per pound, 90 percent of the August 1 parity prices. Support prices for the various types of peanuts were announced on July 29.

Production of flaxseed this year is estimated at 44 million bushels. This is about 5 percent more than last year and well above estimated domestic use. World demand for flaxseed probably will be good in 1955-56 and substantial quantities will be available for export and carryover.

Since November 1, 1954, the beginning of the 1954-55 marketing year for tung, CCC has sold about 15 million pounds of tung oil, on a bid basis. Recent sales have been at prices about 3 to 4 cents above the current support level. These sales reflect the short 1954 crop, limited imports, and prospects for another small crop in 1955. The Commodity Credit Corporation still owns about 23 million pounds of tung oil.

CORN AND OTHER FEED

The general level of feed grain prices has declined during recent months, reflecting seasonally lower prices for oats, barley and sorghum grains. The mid-July index of prices received by farmers was 7 percent below a year earlier and the lowest since April 1950. The record supplies of feed grains in prospect for 1955-56 has been a major factor depressing feed grain prices this summer. With the big corn crop in prospect, corn prices are expected to decline further and feed grain prices this fall are likely to continue somewhat lower than a year earlier. Mid-July average prices received by farmers for oats and barley were near the 1955 supports. The price of sorghum grains, which usually reaches its seasonal low in the fall, was still 18 cents per cwt. above the 1955 support. Prices of these 3 grains are lower than usual relative to corn this summer.

Growing conditions continued favorable for feed crops through early August over most of the country practically assuring large production and record supplies of feed grains for the 1955-56 season. The total supply of all feed concentrates is now estimated at around 206 million tons, 26 million more than the record supply last year. A record corn supply of over 4.5 billion bushels is in prospect, and record or near record supplies of each of the other feed grains. A larger supply of high protein feeds is expected for the coming year, with soybean meal making up a larger than usual part of the total.

The 1955 production of feed grains was estimated in August at 140 million tons, the largest of record. This would be fully adequate to meet all 1955-56 requirements and leave a carryover at the close of the 1955-56 season well above the record of about 39 million tons at the beginning.

WHEAT AND RICE

The build-up in carryover stocks of wheat is expected to be materially slowed down in 1955-56. As the result of acreage allotments and marketing quotas, production was reduced from 970 million bushels in 1954 to about 911 million in 1955. The carryover on July 1, 1955 was 1,020 million bushels, and about 4 million bushels, mostly feed wheat, is likely to be imported. Total wheat supplies for the marketing year that began July 1, 1955 are estimated at a record 1,935 million bushels, 59 million bushels above the 1,876 million a year ago.

On the basis of current information on domestic disappearance it would appear that about 1,327 million bushels will be available for export during the marketing year and carryover at the end of the year. The level of exports in 1955-56 will again depend upon many factors, including the size and distribution of the 1955 crop produced in countries other than the United States, as well as the United States export programs. If exports total about the same as the 273 million bushels estimated for 1954-55, the carryover July 1, 1956, on this basis, would total about 1,050 million bushels, about 30 million above the carryover July 1, 1955.

A discount of 20 cents per bushel in 1956 price-support rates for 23 wheat varieties designated as undersirable because of inferior milling or baking qualities was announced by the Department of Agriculture on August 12. Because the proportion of the wheat crop to be discounted is relatively small, the reduction in price support rates for certain varieties will have only a minor effect on the level of individual support rates. Less than 4 percent of the 1954 wheat crop was planted to those varieties now designated as undesirable.

Supplies of rice for 1955-56 are the largest on record. A sharp increase in carryover much more than offsets the reduction in output resulting from acreage allotments and marketing quotas. Domestic disappearance (including U. S. territories) in 1955-56 is estimated at 25.6 million cwt. and exports possibly may total 23.0 million. 1955 prices received by farmers are expected to reflect the large supplies and continue below support.

FRUIT

Continued strong demand for fruit during late summer and early fall is in prospect. During this period, supplies of most deciduous fruits probably will be somewhat larger than a year earlier.

Supplies of California Valencia oranges are expected to continue heavier, at generally lower prices, this summer and early fall than last. Supplies of grapefruit will continue seasonally light until new-crop fruit is available in volume next fall.

The 1955 crop of deciduous fruits is expected to total about 4 percent larger than the 1954 crop. Among the more important fruits, production is indicated to be larger than in 1954 for all except peaches, apples and California dried prunes. However, the California clingstone peach crop, used mostly for canning, is about 4 percent larger. The commercial apple crop is estimated at 107 million bushels, about 2 percent below the 1954 production but 1 percent above average. For the nation as a whole, growing conditions were generally favorable during July and prospects improved somewhat. Production of walnuts is expected to be larger than in 1954, but that of almonds, filberts, and pecans, smaller.

With the prospect of an increase in the production of raisins more than offsetting a decrease in dried prunes, there is likely to be some increase in the pack of dried fruits this year. The total pack of canned fruits may not be greatly different from the relatively large 1954 pack.

During July, there was a seasonally heavy net into-storage movement of frozen strawberries, cherries, and other berries. As a result, cold-storage stocks of frozen deciduous fruits (excluding juices) increased sharply to a total of 382 million pounds on August 1, 1955, 13 percent larger than a year earlier. There probably will be a relatively small increase in total production of frozen fruits and fruit juices in 1955.

On August 1, 1955, cold-storage stocks of frozen orange juice, mostly concentrate, were about 31 million gallons, 6 percent smaller than a year earlier. Stocks of canned citrus juices held by Florida packers were about 30 percent smaller. The 1954-55 pack of Florida canned citrus juices was about 18 percent under the 1953-54 pack.

COMMERCIAL VEGETABLES

For Fresh Market

Supplies of fresh vegetables this summer are expected to be 3 percent above those of a year earlier, according to indications as of August 1. With demand continuing high this summer, the average price received by farmers for summer vegetables marketed for fresh use probably will not exceed that of a year earlier.

The index of farm prices for fresh vegetables during the first half of July was a little lower than in both the preceding month and in July 1954. The decline from June to July was less than seasonal. Prices

for both lettuce and tomatoes increased in contrast to the usual seasonal decline. This almost offset the sharp declines for cantaloups and watermelons. The price movement from June to July was mainly the result of changes in the supply situation.

Among the important summer fresh vegetables, August 1 forecasts point to larger crops of cabbage, cantaloups, sweetcorn, cucumbers, green peppers, tomatoes and watermelons this year than last. The prospective tonnage increases for these commodities more than offset reductions from a year earlier indicated for snap beans, carrots, celery, honeydew melon, lettuce and onions. The smaller onion crop in prospect for this summer is due to the indicated 7 percent reduction from last year in the size of the late crop--the result mainly of the lower yields per acre indicated as of August 1; the early-summer crop is equal to that of 1954. The late summer crop is the principal domestic source of onion supplies marketed during the fall and winter months.

Production forecasts are currently available only for the early fall crops of cabbage, celery and tomatoes. Prospects as of August 1 were for a much larger crop of tomatoes this fall than last and a small reduction for celery. The estimated early-fall cabbage crop is 18 percent smaller than last year's crop and substantially below the average for 1949-53. This cabbage crop is the most important one of the year. In addition to providing the raw material for a large part of this year's sauerkraut pack, it is the major source of supplies of fresh cabbage marketed during the fall and early winter.

For Commercial Processing

As of August 1, indicated production of 6 important processing vegetables totaled 7 percent more than that of a year earlier and 5 percent above the average for 1944-53. These 6 crops usually account for 85 to 90 percent of the total tonnage of the 11 commercial processing vegetables for which the Department of Agriculture prepares official estimates.

Among the processing vegetables for which official forecasts have been made to date, increases over last year for green peas, tomatoes, and the winter and spring spinach crops much more than offset declines indicated for snap beans, sweet corn and kraut cabbage (contract).

POTATOES AND SWEETPOTATOES

The prospective crops of intermediate and late potatoes, marketing of which will extend well into next spring, total 12 percent larger than those harvested in 1954. The overall potato crop this year is expected to be around 399 million bushels, according to indications as of August 1. A crop of this size would be 12 percent larger than last year's, and almost equal to the 1944-53 average.

The farm price of potatoes marketed around mid-July averaged 88 cents per bushel, sharply below that of a month earlier and the second lowest July price since 1941. The price decline from June to July reflected both the large supplies available for marketing during the period and trade expectations of continued heavy supplies in the coming months.

A sweetpotato crop of around 36 million bushels is expected this year, based on growing conditions on August 1. The prospective crop is 20 percent more than the near-record small one harvested last year, but still 23 percent below the 1944-53 average. The domestic demand for sweetpotatoes during the present marketing year is expected to be about the same as in the preceding year.

COTTON

The 1955 cotton crop was estimated at 12.6 million running bales (12.7 million 500 pound bales), as of August 1. This compares with 13.6 million bales a year earlier. The U. S. average yield per harvested acre was estimated at a record 367 pounds, compared with 341 pounds for the 1954 crop. If this yield materializes, this will mark the third year in a row in which yields have set new records.

Disappearance during the 1955-56 season may approach 13 million bales compared with about 12.4 million in 1954-55. Domestic mill consumption in 1955-56 probably will be more than 9 million bales compared with 8.9 million in 1954-55. Preliminary information on exports indicate some increase in 1955-56 over the 3.5 million of 1954-55.

On August 12 Secretary of Agriculture Ezra Taft Benson announced that no material change is planned in the United States cotton export policy during the 1955-56 season but that after January 1, 1956 CCC may sell for export gradually and on an open competitive bid basis not more than a million bales of its short staple stocks. The latter might be sold at prices under the minimum levels permitted when sold for unrestricted use by CCC. This minimum is not less than the higher of the domestic market price or 105 percent of the current support price for cotton plus reasonable carrying charges.

On August 1 the Department of Agriculture announced that an additional 2 million bales of upland cotton had been placed in the set-aside. This makes a total of 3 million bales that has been set aside, the minimum required by law. The quantity actually in the set-aside as of August 1 was 2.9 million bales; about 61 thousand bales have been disposed of in authorized outlets.

The average 14 spot market prices for Middling 15/16 inch cotton during the first half of August was below a year earlier. For example, on August 18 this price was 33.70 cents per pound and a year earlier it was 34.05 cents. The average 1955 support price for this quality cotton at 14 spot markets is 33.75 cents per pound. A year earlier the average support price was 33.46 cents per pound.

WOOL

With world supply slightly larger and demand easier, prices of wool in world markets have been below a year earlier since last September when the 1954-55 British Dominion marketing season opened. In general, declines in quotations for U. S. domestic wools tended to come later than the declines in world markets. In early June, however, the relationship between quotations for domestic wools and prices abroad was about the same as a year earlier. Late in July, quotations for domestic fine wools were between 15 and 25 percent below a year earlier, while quotations for quarterblood and lower wools were less than 10 percent below a year earlier.

Even though prices received for the season average considerably below the 53.9 cents of last season, the national average return per pound to growers (average price received plus the government incentive average payment) will be substantially larger. The government payment to the individual producer will be equivalent to the average price he received times the percentage needed to bring the average return of all producers up to the incentive level of 62 cents. Therefore, even though the quantity of wool shorn and to be shorn this year has been estimated at 228 million pounds, grease, about 2 percent less than last year, gross returns (receipts from sales in the open market plus Government payments) from 1955 shorn wool production will be substantially larger than last year. Combined output of shorn and pulled wool this year is expected to be not much different from last year.

World production is expected to total at least 4,475 million pounds, equivalent to about 2,585 million pounds of clean wool, an increase of 2 percent over 1954 and a record high.

Domestic woolen and worsted mills used about 7 percent more apparel and 11 percent more carpet wool during January-June than a year earlier. The weekly rate of carpet wool consumption during June was 29 percent above a year earlier, but the rate for apparel wool was 2 percent below. With economic activity and consumer purchasing power likely to rise further in coming months, and lower prices, the totals for the year are likely to be higher than for 1954. The higher level of woolen and worsted activity has been reflected in increased imports of both dutiable and duty-free early this year over early 1954.

TOBACCO

Marketings of this year's large flue-cured crop have been under way since the latter part of July in the Southern-most belts. Early season indications are that prices for most grades are averaging below last year. In the type 14 Belt (Georgia-Florida) where tobacco is

marketed untied (in all other Belts, it is tied), the average price through mid-August was 47.7 cents per pound--3 percent less than in the comparable period of a year ago. In the type 13 Belt (South Carolina and border North Carolina), the quality was much improved over last season and the average price through mid-August was 55.5 cents per pound--6 percent above that in the comparable period of a year ago. Markets in the flue-cured Belts farther north will open last this month and during September.

As of August 1, the flue-cured crop was indicated to be nearly 13 percent above last year's crop. The carryover on July 1 was 7 percent larger than a year earlier and total supply for 1955-56 is about 9 percent above 1954-55. The 1956 acreage will be down since next year's acreage allotments have been reduced 12 percent.

Flue-cured is one of the principal cigarette tobaccos and is exported in large volume. In the year ended June 30, domestic cigarette manufactured totaled 408 billion-- $1\frac{1}{2}$ percent below a year earlier. The 1954-55 exports of flue-cured leaf at 428 million pounds (farm-sales weight) were nearly the same as in 1953-54.

Exports will increase in 1955-56 as sizable quantities will move out under the export programs negotiated under PL 480, which provides for acceptance of foreign currencies for surplus agricultural commodities under certain conditions.

Auction sales for 1954 Maryland tobacco closed on August 5 and the season average at 39.5 cents per pound was 26 percent lower than last season. As of August 1, the 1955 crop of Maryland tobacco was indicated as being 2 percent larger than the 1954 crop.

The 1955 burley crop, as of August 1, was indicated at 24 percent less than last year's record high mainly reflecting the lower 1955 acreage. For fire-cured, this year's crop is estimated at about the same as last year but for dark air-cured (types 35-36) about a 9 percent decrease is indicated.

Most cigar types as of August 1 were indicated as having larger than or about the same size crops as last year's except for Pennsylvania filler, type 41, which is down about 6 percent from last year.

Tax-paid withdrawals of cigars during the year ended June 30 were nearly the same as in 1953-54. The output of smoking tobacco increased 2 percent. The 1954-55 output of chewing tobacco declined 2 percent while snuff manufacture held even with 1953-54.

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